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Statement by the European Commission, the ECB and the IMF on Cyprus

Following the recent visit to Nicosia by teams from the International Monetary Fund (IMF) and the European Commission (EC), in liaison with the European Central Bank (ECB), to review Cyprus's economic reform program, staff-level agreement has been reached on policies that could serve as a basis for completion of the reviews.

Cyprus's economic reform program, which is supported by financial assistance from the European Stability Mechanism (ESM) and the IMF, aims to foster economic recovery and job creation by restoring financial sector stability, strengthening public finances, and implementing reforms to increase long-run growth. A key policy reform of the program has been the adoption of modernized insolvency and foreclosure frameworks, which are needed to reduce the high level of non-performing loans, an essential step to restoring growth and job creation in Cyprus. The main elements of these frameworks are now in place, which has allowed for the finalization of the staff-level agreement. The staff teams look forward to the effective implementation of these frameworks, and will help the authorities in adjusting and strengthening them as needed, based on experience over the coming months and international best practices. Further actions will be important to support the reduction of non-performing loans (NPLs), including legislation to facilitate the sale of bank loans.

The authorities should maintain the structural reform momentum. The reform of the public sector administration is key in this respect. Timely implementation of the privatization plan is necessary to increase economic efficiency, attract investment, and reduce public debt.

Conclusion of the reviews is subject to the approval process of both the European Union and the IMF, which will be initiated shortly.